

Physician services: assessing payment adequacy and updating payments

ISSUE: In the March 2004 report, MedPAC will address three issues concerning Medicare's payments for physician services: Are current payments adequate? How are costs expected to change in 2005? What is an appropriate payment update for 2005?

KEY POINTS: The available information presents a generally positive, but mixed picture on payment adequacy:

- *Beneficiary access:* Survey data from 2002 and 2003 indicate that on a national level, beneficiaries generally have good access to physicians, but some beneficiaries report having difficulties.
- *Physician supply:* The proportion of physicians signing participation agreements with Medicare continued to increase in 2003, as it has in previous years.
- *Comparison to private payers:* Preliminary results from research sponsored by MedPAC show that the difference between Medicare and private sector payment rates widened slightly in 2002.
- *Volume:* The volume of physician services has grown steadily since 1999. A few specific services have experienced decreases in volume, but there is no evidence that the decreases are due to inadequate payments.

ACTION: At this meeting, the Commission will discuss whether the current level of payments is adequate and what the appropriate update should be.

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